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Historical Review of Japan's Foreign Aid to Laos

“라오스로의 일본해외원조에 대한 역사적 고찰”

A Thesis Presented by
Youtthasack KINGSADA

Graduate Program in International Cooperation
For the Degree of Master of International Studies

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Graduate School of International Studies
Seoul National University

Graduate School of International Studies
Seoul National University

THESIS ACCEPTANCE CERTIFICATE

The undersigned, appointed by

International Studies
International Cooperation Program

Have examined a thesis entitled

Historical Review of Japan's Foreign Aid to Laos

Presented by Youtthasack KINGSADA

Candidate for the degree of Master of International Studies that is
worthy of acceptance

Signature

Committee Chair Chong-Sup Kim

Signature

Vice Chair Kadir Ayhan

Signature

Thesis Advisor TaeKyoon Kim

Date: July 2017

Historical Review on Foreign Aid from Japan
to Laos

“라오스로의 일본해외원조에 대한 역사적 고찰”

지도교수 김대균

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국제학과 국제협력 전공
유타삭

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2017년 8월

위원장 김종섭 (인)

부위원장 Kadir Ayhan (인)

위 원 김대균 (인)

Abstract

Laos is a poor country located in Indochinese peninsula who has been dependent on foreign aid since its rough independency in 1945 and Japan has been providing aid to Laos since late 1950s and become the biggest donor since 2000. This paper reviews the history of foreign aid from Japan to Laos. During late 1970s and early 1980s, Laos witnessed the huge deduction of foreign aid from Japan as well as from other donors. The paper, so that, focuses on finding the main cause of this decline. Main variables are explored: Japanese aid policy, Japan-Lao economic and politic ties, and the communist influence in Laos. The economic motive of Japan's aid is emphasized as the first assumption in the study. The paper found out that the main reason for the aid deduction was from the politic-security as Japan concerned more about the security within Laos and its neighbors. The socialist movement of Lao government and the huge influence from communist Vietnam and Soviet bloc in late 1970s had posed uncertainty to Lao economy, democracy, human rights and diplomatic relationship with its regional states. It learns that the economic ties of the two countries is so weak and cannot be proved as the main cause of Japanese foreign aid deduction.

Key words:

Japan, Laos, foreign aid, aid motive, aid deduction, politic security

Student Number: 2015-25082

List of Abbreviations

ASEAN	Association of South East Asian Nations
CMEA	Council for Mutual Economic Assistance
ECAF	Economic for Asian and the Far East
GDP	Gross Domestic Product
ICSC	International Commission for Supervision and Control
JICA	Japan International Cooperation Agency
Lao PDR	Lao People's Democratic Republic
NEM	New Economic Mechanism
ODA	Official Development Assistance
OECD	Observatory Economic Complexity
OECD	Organization for Economic Cooperation Development
OPEC	Organization of the Petroleum Exporting Countries
RLG	Royal Lao Government

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Chapter 1. Introduction

1.1. Background

Lao PDR (Lao People's Democratic Republic) or Laos is a land-locked country located in the Southeast Asia sharing border with China, Burma, Vietnam and Cambodia. Laos is one of the poorest countries who got independence in late 1975. Its GDP per capita was around US\$ 300 in 2000, and the country is placed at the category of the Least Developed Country in the World Bank list. Being one of the poorest and least developed countries in Southeast Asia, Lao PDR has been trying its best to achieve its national development plan whose priority goal is to get rid of LDC status by 2020. To achieve MDG and SDG as well as eradicate poverty from the country, Laos has focused on the development of its economic as the main theme of its mechanism as addressed in its "8th National Socio-Economic Development Plan 2016-2020". The country has liberated its market more to the world with lesser regulation of the state. Private sectors have more freedoms. One of the policies to gain more financial source is to attract more foreign direct investments and to seek for more foreign aid.

To be dependent on foreign aid is not new agenda to Laos. Instead, it has been associated firmly with the state since late 19th century. Foreign aid contributed to Laos can be tracked from 1950s. Laos has been obviously dependent on foreign aid from its pre and post-independence to present days. The country started its independency with very poor economy status that had been damaged as a victim of colonization and wars until 1975. Since the country gained its independence through the leader of Communist, it had applied its economic pattern of Mark-Leninism. Then the New Economic

Mechanism (NEM^①) has been introduced and implemented since in 1986, where the GDP per capita was almost 150 USD, the country opened and attracted more foreign investment and assistance. Since then, Lao economy got better but in slow pace. Foreign aid has been one of the main country's financial supports. Foreign aid statistic in 2000 was around US\$ 237 million and GDP per capita was around 300 USD. The foreign aid trend has been on fluctuating rise and reached almost \$500 million in 2014 of which the GDP per capita was around 1,700 USD. Due to the country's trade deficit, the country still needs more external financial assistance to balance its finance. The country, therefore, goes on its search for more foreign assistance regardless of critique on foreign assistance which some scholars claim that most of the aid was in favor of donors' interest or strategy. Those kind of aid emphasized donors' benefits rather than recipient development.

The main donors to Laos are those from the Western countries like France, Germany and Switzerland, one from Oseania; Australia and the only one from Asian continent is Japan. According to the volume of aid flow among DAC donors, Japan has been the largest donor to the world since late 1990s. And to Laos, its aid proportion has covered approximately one third of overall DAC donor since 2000 making Japan the biggest donor to the country. Furthermore, Japanese aid to Laos has long history back to the late 1950s when their mutual diplomatic relation was established in 1955. With regard to the negative-historic legacy of the invasion of Japanese empire to Laos during 1945, Japan had provided economic assistance for recalling normalization relationship with Laos as concluded in the San Francisco Treaty 1951. In this treaty, Japan agreed to pay reparation for the victims of World War2.

^① NEM: the transition from socialist to capitalist economy of Laos, more information: Soukamueth, B.J (2006)

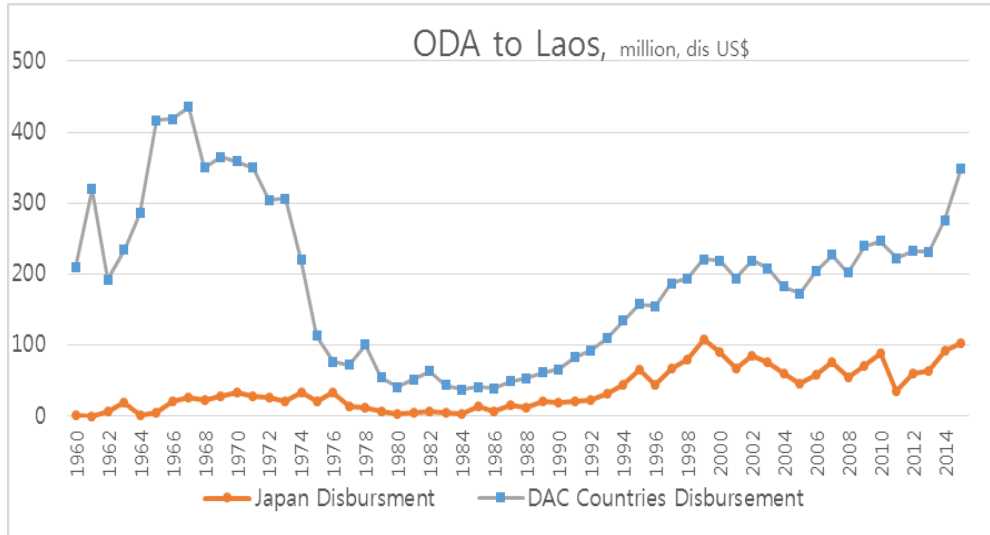
This long and large assistance has shown the importance of Japanese ODA to Laos. However, this phenomenon may raise two interesting aspects among scholars. First, it has indicated how much Laos is dependent on foreign aid and this would not be a sustainable development. Secondly, how much is the aid effective is deserved to be considered. With the terms of aid effectiveness, two things to be careful looked at. One is recipient engagement of the aid and the other is the main purpose of the donor. As many has critiqued the Japanese aid as strategic interest more than humanitarian aid, this may pose hindrance to the goals of Lao government in pursuing its economic development and eradicate itself from LDCs. This concern has raised an interest of a revision of study on Japanese ODA to Laos. Even though, there has been a lot of paper analyzing Japanese foreign assistance, but most of them do not touch on single recipient case like Laos as much as it supposed to be, according to its aid's engagement in Laos. This paper, so that, contributes to the revision of overall Japan's foreign aid to Laos since their diplomatic establishment to present. The main content of the paper focused on the period of the aid flow deduction during its early independency.

1.2. Purpose of Research

This paper reviews the history of Japan's ODA to Laos since 1950s to present. It mainly tracks the aid flow: the volume of aid contributed to Laos. The timeline is divided into three periods, 1950s-1975, 1975-1992 and 1992-2015. The first period is explored roughly the aid volume which was originated from economic aid to Laos during Japan's World War II reparation to Southeast Asia countries. Once, Laos had witnessed a critical juncture of aid deduction during 1975-1992. At the period, the volume of foreign aid from all DAC donors to Lao had sharply declined, as well as the aid from Japan. This coincident drop of aid provokes a question of what had been the causes of this incident.

This paper is mainly trying to explain the causes for that incident. Finally, this paper looks at the aid flow: aid volume and sectors focus of the aid during post-cold war to present.

Figure 1: ODA to Laos



Source: OECD (2017)

The answers to the causes of the aid flow deduction would make a lot contribution to the donor, recipient and other organizations. For Laos, this result would help shape its international policy especially when it continues seeking further foreign assistance from Japan and other donors. This would also be tangible argument referring the main factors influencing aid flow from powerful country to a single small state.

Chapter 2. Literature Review

The interests in studying bilateral foreign aid to small countries seems to be so limited as shown in the existing literature that not many papers analyzed the case of small recipients. Laos is one of those who need more attention from scholars. Laos has been a small recipient of foreign aid since its independence to present. There has been a lot of research on the ODA to Laos. Unfortunately, the area of bilateral donor aid to a single recipient, Japan's foreign aid to Laos, needs more attention. Therefore, this review could address some available research papers on Japanese aid to Laos. Other part of the review looks at literature of Japanese aid's motivation to Asia. Finally, it reviews how other scholars explore the cause of aid flow reduction from donors like Japan and other major donors. It explains why foreign aid is cut or reduced.

2.1. Japanese Foreign Aid

Cooray and Shahiduzzaman (2004) studied the determinant of Japanese aid allocation. They found out that during 1970s-80s, Japanese ODA was motivated by self-economic and political & security concerns. During 1973, Japan faced oil embargo from OPEC, so she had to redesign her aid policy to gain supply from other countries outside Asia. And with the pressure from Korean peninsula tension, the relationship of Japan, US, China and the influence of Soviet in Asia, Japan had to adapt foreign policy to gain the security of the country and politic relations. Moreover, Japan sees ASEAN as the important roots of her economic stability. Grant and Jijman (1997) also concluded that the motivation of Japan's foreign aid to Asia Pacific in early cold war period was to expand its economics and commerce. However, in late 1908s, the motivation had shifted to make balance with political

cooperation, merging between realism to liberalism. In 1995, Takagi studied Japanese Official Aid Flow and how she turned from recipient in 1945 to top donor. The research concluded that the initial goal of Japan's aid early programs was economics as promoting its firms' export, ensuring its investment in abroad and securing stable supply of natural materials. The motives changed to new goals currently in 1989 as in support to: 1 the status of Japan as an economic superpower, 2 the status of the world largest creditor and surplus country, 3 its economic dependence on other countries, 4 the dedication to peace, 5 its status as the only non-Western developed country.

Nam Pan conducted a research on Japanese ODA to Asian countries after the Cold War focusing on Myanmar in comparison with Cambodia, Vietnam and Laos since 2000. The research identified the main motivations for Japan in giving aid to those countries. For Laos, Japan supported the integration of Laos into regional and global economy by supporting the self-help system of Laos in eradicating poverty, human resource development and sustainable economic growth. Trinidad (2007) investigated the change of Japanese aid in response to the domestic and international trend after the cold war focusing on Southeast Asian countries. Japan faced the critiques on its development assistance disbursement whether to gain or to spend. The paper infers that it is not simply to conclude that Japan's ODA allocation is for its own interest. Both the internal and external influences have shaped the trend of her aid. Japan increased grant to the region in previous decades. The recent increase in ODA disbursement to Laos and Myanmar is a good example of her egoistic aid. The 1990s marked the point that Japanese aid stayed at the crossroad, Japan considers both strategies; aid for economic interests and humanitarian security.

There was a Country Assistance Evaluation of Laos Summary in 2005^②. The main objective of the report is to provide the review on the Japanese ODA policy to Laos. The evaluation of Japanese ODA to Laos was conducted in 2004 and 2014. For the report in 2004, it found out that Lao national policy on foreign aid was consistent with Japanese ODA policy. It was on the track of Lao government's development plan and strategy. It can be seen that Japan has been contributing sufficient and efficient aid to the need of Laos. Apart from the Asian crisis, many donors have dropt their aid while Japan did not. However, there were some constrains to efficiency of the aid. The aim and purpose of Japanese aid has not been made clear enough that Lao government could fully implement it in its primary sectors. The report in 2014 found that the relevant of the policies between both donor and recipient is very high. The result of aid contribution also was concluded very high efficient. Lastly, the Japanese foreign assistant policy has been carried out properly by related agency or implementers.

2.2. The Causes of Deduction in Foreign Aid

Dang et al (2013) investigated the causes of the fall in international aid. They found that internal factors like financial crisis and economic condition of donors affect the aid flow. Banking crisis in donor countries is linked to the substantial reduction of the aid. The reason for that is apart from the fall in donors' GDP, the bank crisis poses high cost of crisis and the aftermath of debt in the following years. The aid

^② Country assistance evaluation is a report conducted by external advisory meeting on ODA evaluation, which is an informal advisory body of director-general of economic cooperation bureau of the Ministry of Foreign Affairs of Japan. The report conducted in every 10 years to evaluate Japanese development assistance to individual recipient. Since there has been a requirement for effective and efficient performance of Japan's ODA implication, the MOFA conducts the reports on this evaluation for two main objectives from their policy level as to support the implementation and management of ODA and to ensure its accountability.

is assumed to drop by 28 percent of each affected donor. Frot (2009) tested if the financial crisis has impact on aid flow. The research used two approaches, vector auto-regression and by comparison between past aid flow of donors who experienced financial crisis with donors who did not. It turned out that the crisis did not only reduce the aid budget but also change the aid trend. Moreover, the regression significantly showed that long-term drops in GDP by 1 percent posed negative effect as the reduction in aid budget by as much as 8 percent. There was a research on rise and fall of foreign aid conducted by Browne in 1997. It unveiled that the major cause of reduction in aid budget of many donors was related to tightening implication of fiscal constrain.

Viksnins (1975) studied the fall in US aid. The paper sees the sharp decline of American foreign aid during 1960s to 1970s. The paper claims there are two reasons for that fall. One is the negative opinion of the tax payers, American people, when they learnt the downturn in US influence in Southeast Asia and the rise of communism when the communist fighters won their wars in Vietnam, Laos and Cambodia in early 1970s. Those people saw the aid was less effective in achieving US's goals. The other reason was the US economy witnessed recession during that period making constrain in aid budget. Lis (2014) used panel of countries to identify the net effect of arm conflict and terrorism, domestic and international, to foreign aid receipt. The result shows that foreign aid amount, bilateral and multilateral, is to be reduced by the effect of arm conflict incident. On the contrary, the volume especially bilateral aid tends to increase in respond to the terrorist activations. This incident is consistent with the assumption that the aid is given more to recipient governments in fighting against terrorism in recipient territory.

2.3. Politic Ideology and Aid

Boschini & Olofsgård (2007) examined whether the reduction of foreign aid during 1990s was due to the end of Cold War. They applied the dynamic econometrics specification of 17 donors in the period of 1970–1997. The study was concluded that the disbursement of foreign aid during the Cold War was correlated with military expenditure of the former Eastern bloc countries and during 1990s the aid flow had been reduced as the matter of the degradation in aid motivation among donors. Stuart-Fox (1998) studied the connection between communist bloc countries: Laos and Vietnam. Vietnam gained influence in Laos formally from late 1970s which was the time of Cold War contestation and US was supporting the Royal Lao Government in fighting against communist rival. The research also partially found that the influence posed at least two internal effects to Laos namely economics and politics. In terms of economic, the relationship had pushed most foreign aid from Laos resulting in the sharp reduction of Western aid that Laos used to receive. According to David Beim, foreign aid can make influences on 4 areas to donor:

1. *promote good will and solidify friendly relations,*
2. *make the recipient country dependent upon the donor,*
3. *cultivate a natural ideological ally over the long run,*
4. *obtain military advantages.*

When Japan, as well as other Western donors, learned the big influence that Vietnam and Soviet can make on Laos, Japan could expect that their aid could make minor or no influence on communist regime. The strong communism in Lao government is against their aid strategy. As a result, we can conclude that they had reduced or withdrawn their assistance to Laos. This factor is logical the assumption that the communist move in Laos had pushed Western donor away from Lao PDR.

Chapter 3. Methodology

This is a qualitative analysis that reviews and describes Japan's bilateral foreign aid to Laos since their diplomatic relationship was established in 1955 to present days. The timeline is divided into three periods according to the trend of the aid flow and the major political movements of Laos and the world: 1950s–1975, 1975–1992 and 1992–2015. In the first period, this paper explores eco-political environments of Laos that attracted foreign aid to Laos. Aid from Japan and other major donors is explored focusing on volume and sector contribution. Since the country witnessed the critical drop of foreign aid during the early aftermath Lao independence in 1975, the second period, the paper tries to find the answers for the causes of aid reduction. So the main contribution of this paper is devoted to this period when the aid volume dropped to its lowest of each donor at the same year 1980. To find out the causes of the deduction, the literature review has provided some clues for this paper to apply in. The third period of timeline addresses the volume and sector contribution of aid.

To frame the area of analysis in this paper, aid motive is the core part to be explored. The tiring debate on the main motives in giving aid has given us skeptical finding of foreign aid allocation among egoistic and altruist donors. In our general perception as well as OECD view, the practice of aid giving should be based on donor's altruism. However, in practice, it sometimes initiates from our egoism and some donors view foreign aid as an indirect investment. According to Riddell's book "Does Foreign Aid Really Work?", published in 2008, six clusters of aid motives have been identified according to the practice of aid allocation from the past. Foreign aid is for (1) showing solidarity, (2) maintaining historical ties, (3) paving way for donor economic extension, (4) highlighting the emergency need, (5) assisting recipients achieving

their goals, and (6) securing political stability. Overall, the major donors' motives in giving aid can be categorized into three big groups:

Figure 2: The Category of Aid Motivation

Humanitarian Motive	Politic-Security Motive	Economic Motive
Sweden	US	Japan
Denmark	France	New Zealand
Norway	United Kingdom	Australia
Netherland	Portugal	
Finland	Spain	

Source: Riddell (2007)

According to the literature reviews, the motivations of donor are important factor that drive the trend of the aid flow. For Japan, many scholars have pointed out that its main motivation in its early aid programs, during 1960s-1970s, was economic self-interest and then the motivation has moved to politic-security interest in balance with economic desire. Hans Morganthau's "A Political Theory of Foreign Aid" in 1962 is another good work contending the motives of foreign aid. This theory classified the 6 types of foreign aid and foreign aid for economic development is one of those which Morganthau emphasized how the foreign aid was used by major donors like US and Japan to boost economic of recipients as well as donors' economy. Therefore, this paper will look at Japanese aid through the lens of economic motives. That is the first assumption.

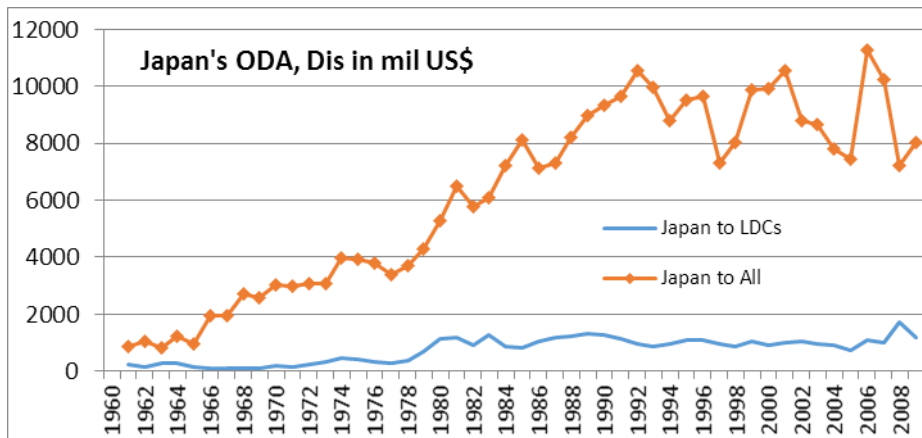
However, some scholars, from the literature reviews, have claimed that the motive of Japanese foreign aid has merged from single economic self-interest to politic-security base. They claim Japan takes recipient needs into account more and makes balance with its own aid desire. The suspension of Japan's aid to China in 1989 and in 1995 is a good

example in addressing the motives of Japan. This suspension was a protest in response to the Tiananmen and nuclear test of China's government. The protest signals that Japan concerns about politic-security in the region more. This aspect of aid giving is deserved to be taken into account of this study. This paper, so that, also explores whether that kind of Japanese motive was applied to Laos. This is a second assumption.

To prove those two assumptions, the paper looks at the relations of the Japanese economics to Laos. According to the origin of Japan aid to Laos which was economic assistance, the trade between them must be explored. Japan export-import to Laos is a good indicator for this motivation. The denser trade volume can refer to the more links to the aid. Moreover, Japan FDI is one more important factor to be taken into account as Japan outbound FDI is very well recognized in the Asian countries.

In addition, it also considers the financial status of Japan if there were any financial constraint during that period, as referred in the literature review that donor finance can affect its budget aid. Once the oil crisis hit many countries in 1973 and 1979, Japan also was severely affected as Japan is one of the most energy-imported countries. But, this factor can be proved to have no link to the Japanese aid deduction. Once we compare its aid disbursement to the world or LDCs in the same period of aid flow deduction in Laos, the trend of Japan aid flow did not on the slop, on the contrary, it was on the rise. This can refer that Japanese aid budget was not affected by the oil crisis or other financial problems.

Figure 3: Japanese ODA to the world



Source: OECD (2017)

In terms security, the issue to be considered is political-security aspect, the influence of regional situation: Southeast Asia and the Cold War to Laos. The communist bloc struggle posed some degree of influence to the flow of Japanese aid. Then Japan's aid motivation in Southeast Asia sifted to focus on regional security. Thus, the deduction of its aid could be as an implication of protesting the influencing of socialist countries in Laos namely Vietnam and Soviet Union. In late 1970s, most Western donors like United Kingdom, France, US, Germany and Australia began to reduce their aid and the aid dropped to the lowest point in 1980. The main reason for this incident was assumed to be the consequence of communist movement and influence in Laos. Therefore, this paper tries to prove this assumption.

The rest of the paper, the last phase of the timeline, it reviews the aid flow as if there are some characteristics of Japanese aid. This review paper is based on and adapted from "DAC Peer Reviews of Japan 2010". This peer review was conducted by OECD DAC in 2011. The DAC periodically reviews the individual development co-operation effort of DAC members. The review conducts every 4 or 5 years to critically examine the policies and programs of each member. The

OECD's Development Co-operation Directorate provides is responsible for providing analysis support and enhance developing and maintaining the conceptual framework of each single peer review. For this review, it focuses on characteristic of Japanese aid contribute to all recipients from 2006-2010. This paper has applied this DAC review to be as the pattern with some adaptation for the appropriate of its study's purpose. For example; this paper focuses on the aid flow and sector contribution.

Since historical information is rare and some is unaffordable, the main sources of this study are derived from scholar's papers. The Organization for Economic Co-operation and Development (OECD) has provided main statistics of the aid disbursement. Ministry of Foreign Affairs, Japan International Cooperation Agency (JICA) provides the essential policy source. Other sources are from Ministry of Foreign Affairs, Laos, Vietnam and other official and reputed websites.

The international relation theory applied in this writing is realist theory. As mentioned above, the practice of aid allocation by Japan is academically considered as for self-interest. Realist theory can explain well why one state provides aid to other states. As Han Morganthaus explained in his scholar work on the theory of international relations, the theory contains three key assumptions. One, states are the key unit of action. Two, they seek power, either as an end of itself or as a mean to other end, like zero-sum game. Three, they behave in the ways that are rational and therefore comprehensible to outsiders in reasoning terms. These assumptions can address that the behavior of Japan in supporting aid to other governments is originated from Japan's needs, nobody can force Japan to give aid. Furthermore, Japan is the main actor who designs its own contribution of its aid. The motivation of Japan's contribution is rational and understandable as Japan does this for her survival in this (anarchic) environment. The economic backward

of Japan after WW2 leaves Japan no choice but to accelerate its growth under the atmosphere of uncertainty environment the world economy and politics.

Chapter 4. The Pouring of Foreign Aid

(1950s–1975)

As mentioned in the methodology section about the timeline of the review, from late 1950s to 1975 is the first period of study in this paper that foreign aid is tracked.

4.1. Laos and Foreign Aid in Delivery

The kingdom of Laos had been colonized by France from 1893–1945. The invasion of Japanese in 1945 had released Laos from the French colonization and occupied Laos instead. The occupation lasted for a while before its surrender of WW2. France returned to invade Laos again in late 1946. Laos then struggled to flee itself from France’s intervention till 1954 when the Geneva conference took place in Switzerland. The conference approved “Geneva Accords^③” to end wars in Indochina. The Geneva Accords ordered all foreign military to leave the territory of the Lao Kingdom. After all foreign troop left Laos, the national government was supposed to be set up. At that time, the kingdom had internal conflict of seizing legitimate power between two groups. There was a group, The Pathet Lao^④, who was seeking to eliminate the monarchy system of the kingdom. Pathet Lao is a communist activator who originated from the communist group in Vietnam in late 1930s and they supported each other ever since.

^③ There was a conference held in Geneva, Switzerland in 1954, called Geneva Conference, to handle critical issues of Korean War and the hostile in Indochina peninsular. The four main actors attended: Soviet Union, China, United States and United Kingdom, and other related country representatives. Geneva Accords was an agreement in the conference that set an independent status of Vietnam, Kingdom of Cambodian and Kingdom of Laos. All the outsider troops had to leave the countries.

^④ Pathet Las (or Land of Laos) was a communist group formed in early 1950s who is Laotian and similar to Vietnamese Viet Cong and Cambodia’s Khmer Rouge. Pathet Lao was led by Prince Souphanouvong in a movement against colonialism and linked with a communist group in North Vietnam.

Another group was Royal Lao Government^⑤ (RLG) who was organized by the Kingdom of Laos in 1947. RLG was anti-communist government controlling the main city of Laos and preserving its legitimacy against rebellion like communist Pathet Lao. This race between two groups had been initially ragging since the French colonization period.

So when the independent time came in 1954, Laos was about to govern itself. The general election was held to solve this challenge under the supervision of an International Commission for Supervision and Control (ICSC)^⑥ established by Geneva Conference. During this approach, foreign aid emerged as offerings to support both sides in national unification campaign. Unfortunately, Pathet Lao refused to join the election. Many negotiations were made to unite the two, but failed. Since this divergent incident, the foreign aid was also determined to either RLG or Pathet Lao. Most donors to Laos at that time were Western donors who were anti-communism so most of their aid was provided to RLG. US was the main donor. US aid had been given to Laos since 1955, its grant aid was around US\$ 33 million and in the following year US\$ 53 million and US\$ 48 million (Gilkey, 1958). The aid was mostly cash grant to support military expense of RLG. The big amount of American aid was undoubtedly on the purpose of maintaining the expansion of communist influence in Laos and Laos at that time was so prone to be influenced by its communist neighbor, China leading by Mao Zedong and was expanding more power in the region.

Politic security is not the only factor attracting foreign aid to Laos. Other components making Laos, at that time, much dependent on aid were national economic and social constrains. Apart from the sufficient

^⑤ RLG was founded in 1947 as a ruling authority in the Kingdom of Laos until Pathet Lao took over the country in 1975.

^⑥ A commission set by the Geneva Accord 1954 to help Laos in organizing its fair, neutral and appropriate governance. It was detailed in "Geneva Accords" 1954.

food from their farming, the peasants whose proportion was almost 95 % of the Lao population, suffered from health issue. Only half of new born babies could live till the age of ten. The living income was estimated at around US\$ 50 annually which was the lowest in Asia. Literacy rate was also the lowest at about 15%. There was no health service, no telephone calls. Electricians or plumbers were difficult to find. The country had only one newsletter written in French and Lao, running by the government. The communication was far difficult since there was no single railroad to link people and trade. No bridge was built to cross the Mekong River which is the biggest and longest river lying from the north to the south parts of Laos. No foreign direct investment, or event from American or French enterprise, took place in this land. Chinese community, around 30.00 to 40.000 people living in Laos, manipulated all the retail trade and local finance service. No direct tax applied to the peasants but there was nominal income tax. Main source of government income was from custom duty followed by foreign aid. The annual revenue from custom duty was US\$ 12 million. Unfortunately, the income could not raise the net income of the nation since it was spent on its import bill. There was no balance of payment as the export of raw material was overwhelmed by the huge amount of import. The recorded of export used to be around US\$ 2 million per annum during French protectorate. But in late 1950s, the figure was only US\$ 500.000. Lao production was aiming at local consumption. There was glutinous rice, salt, fruit, cotton, tobacco, potatoes, peanuts and coffee. There was plenty of land to be utilized but only 8 percent was cultivated. There was no official prohibition if any Laotian wanted to invest in the land. It was so astonished that the land was not occupied by the Chinese residents but only some Laotian farmers. The government so that could exploit the land as much as if they wanted. Overall, these social, economic and political conditions had attracted and facilitated all aid donors in contributing to Laos and US had been

the main donor.

Apart from US aid disbursement, Laos also received foreign aid from other countries and international organizations. Since 1955, Laos received French aid amounting of around seven million dollars as being a member of French Union^⑦. The aid was aiming to be spent on road, airfields and educational facility maintenance. Laos also received some aid from United Nations and Colombo Plan^⑧. Some doctors and nurses were sent to the critical infected areas of Laos in providing health service. There were from the “Operation Brotherhood, supported by International Junior Chamber of Commerce.

1960s, foreign economic aid had become fundamental for RLG in terms of securing monetary stability and effectiveness of national development programs. Apart from aid supported by Foreign Exchange Operate Fund in coping inflation trend, other foreign aid was given for supplying essential imports and for operating special projects. From 1965–69, the aid for importing products had decreased fundamentally from equivalent of US\$ 81 million to US\$ 2.5 million and the United State was the only one left who supported the commodity import program. Australian, France, United Kingdom (UK), Japan and US were the main donors during that time while West German, Thailand, India, Canada, United Nation had been also important donors. Netherland, Philippines, Indonesia, Denmark and Belgium had been participating in social and economic development programs. Some significant amount of

^⑦ French Union is a political identity created in 1946 in replace of French Colonial Empire by the Forth Constitution of the Forth French Republic.

^⑧ Colombo Plan is one of the oldest international organization established in 1950. The organization was founded on purposes of economic cooperation and social development among the countries in Asian and Pacific. Australia, Sri Lanka, United Kingdom, India, Canada, Pakistan and New Zealand are the first prior members and currently there are 26 members including non-Commonwealth countries and countries in groups of ASEAN and SAARC (South Asian Association for Regional Cooperation) and Laos was accepted in 1951.

aid from some other countries was identified but not recorded.

The France and UK ranked behind the top donor, US. Both donors delivered their assistance through Foreign Exchange Operation Fund and to aid project annually. UK contributed to the commodity import while France remain its military mission (approved by the Geneva Accords 1954), culture mission and education. There were 300 French professors and teachers, 82 technical staffs working on various fields in Laos.

Australian aid was channeled through Colombo Plan. It consisted of financial aid, material and equipment, and technical staffs working on agriculture, education and communication sectors. Furthermore, Australia also provided materials for mining industry. Israel had been active in management of farming demonstration and support Laotian in to carry out the program. Economic Cooperation for Asia and the Far East^⑨ (ECAFE) was one regional organization that United Nation used to channel its aid. Other regional organizations were World Health Organization, the Bureau of Technical Assistance Organization.

4.2. Japanese Aid

The end of WW2 lefts no choice to Japan but to sign the San Francisco Treaty in 1952 in order to be able to participate in international community again. Under this condition, Japan had to pay the reparation to the victimized counties. In Southeast Asia, Philippines, Indonesia, Burma and Vietnam were concluded in the list of the reparation. Physically and economically, Japan was damaged hard in the war. The reparation had definitely put a big burden on Japan in early post WW2. Economic Stabilization Board (ESB)^⑩ had estimated that around 42

^⑨ ECAFE or UNESCAP was created in 1947. It is one of UN agency that supports economic cooperation and development among its members.

^⑩ When the Supreme Commander for the Allied Powers (SCAP) considered

percent of Japan's national wealth was ruined during the war (Takagi, 1995). During 1935–37, production from manufacturing sector had decreased to less than 10 percent on average. The inflation rose in fluctuation between 60% and 130% till early 1949. Fortunately, the US and its allied partners had helped reform and stabilize Japan's socio-economy. The implementation of the program had progressively recovered Japan's economy. Significantly, the US's special procurement on purchasing Japanese goods to serve US military during the Korean War had been a big push to the normalization of Japan's economy. In terms of the reparation bill, Japan had applied a form of procurement in its exported goods and services to the recipients. This pattern, so that, had turned Japan's burden into opportunity as this tied export had encouraged and supported Japan's domestic production of goods and services to expand its international market to those countries. Since mid1950s, this kind of Japan's aid has been distributed to Southeast Asia. The relationship between Japan and Southeast Asia has been economically and politically developed afterward.

Laos was not on the reparation list, but it is listed as economic aid recipient. Laos got economic and technical cooperation from Japan's government in 1958 costing US\$ 2.7 million. This could be recognized as the first official foreign assistance from the Japan to Laos since their established diplomacy relationship in 1955, which is approximately ten years after the invasion of Japan's empire. With the establishment of OECD, the ODA from Japan to Laos can be seen in its database since 1960 with the amount of around US\$ 0.8 million. The aid had been growing dramatically year by year then. In 1975, the communist was

that its economic policy could not be well implemented through Japanese government agencies, it then established Economic Stabilization Board (ESB) in 1946 to help the recovery of Japanese economy. SCAP exercised indirectly over Japanese government during the post WW2 to help Japanese economic recovery.

successful in occupying Laos, and declared independency as Lao People Democratic Republic. The volume of Japan's aid and other DAC donors to Laos had been significantly decreased.

Figure 4: Japanese War Reparation and Assistance

The Amount of War Reparation Payments and Economic and Technical Co-operation Grants Given by Japanese Government

Reparation Payment		
<i>Name of Country</i>	<i>Year of Agreement</i>	<i>Amount</i>
Burma	1954	US\$ 200 million
The Philippines	1956	US\$ 550 million
Indonesia	1958	US\$ 223 million
South Vietnam	1959	US\$ 39 million
Economic and Technical Co-operation		
<i>Name of Country</i>	<i>Year of Agreement</i>	<i>Amount</i>
Burma	1963	US\$ 140 million
South Korea	1965	US\$ 300 million
Malaysia	1967	US\$ 8.17 million
Singapore	1967	US\$ 8.17 million
Thailand	1962	US\$ 26 million
Laos	1958	US\$ 2.78 million
Cambodia	1959	US\$ 4.17 million
Micronesia	1969	US\$ 5.9 million
Democratic People's Republic of Vietnam	1975	¥ 8.5 billion (about US\$ 28 million)
Mongolia	1977	¥ 5.0 billion (about US\$ 18 million)

Source: Furuoka (2007)

There were various fields of Japanese project aid provided to Laos since 1958. The first projects were the construction of a power plant with three thermal generators, a filtration plant and water distribution system for Vientiane, the capital of Laos. By 1964, the projects were completed. Next, technical and financial aid was allocated to the construction of Nam Ngum 1 Hydropower Dam, which was the biggest hydropower-serving dam of Laos during that time. Other important

program was the expansion of the runway of national airport “Vientiane’s Wattay Airport” The length was extended to 3,700 yards. Other programs were mineral surveys, the financial and managing of demonstration farm, and the construction of primary school and dispensaries.

Nam Ngum 1 Hydropower Plant is the first hydropower plant of Laos constructed on the Num Ngum river about 60 km north of Vientiane capital of Lao PDR. Then the following decades, more dams were built along this river. The construction of the dam was on the national development plan which aimed at producing and serving electricity for domestic consumption and export to neighboring countries mainly Thailand. Additionally, the plant could provide flood mitigation and irrigation benefits to the local people who live in the area. The fund for the construction was assisted by ten countries including Japan and under the supervision of Mekong Commission and United Nations. This dam construction was carried out by Japanese company and completed in 1971. The dam has electricity production capacity of 150 Mega Watt and could generate 1,025 GW per year.

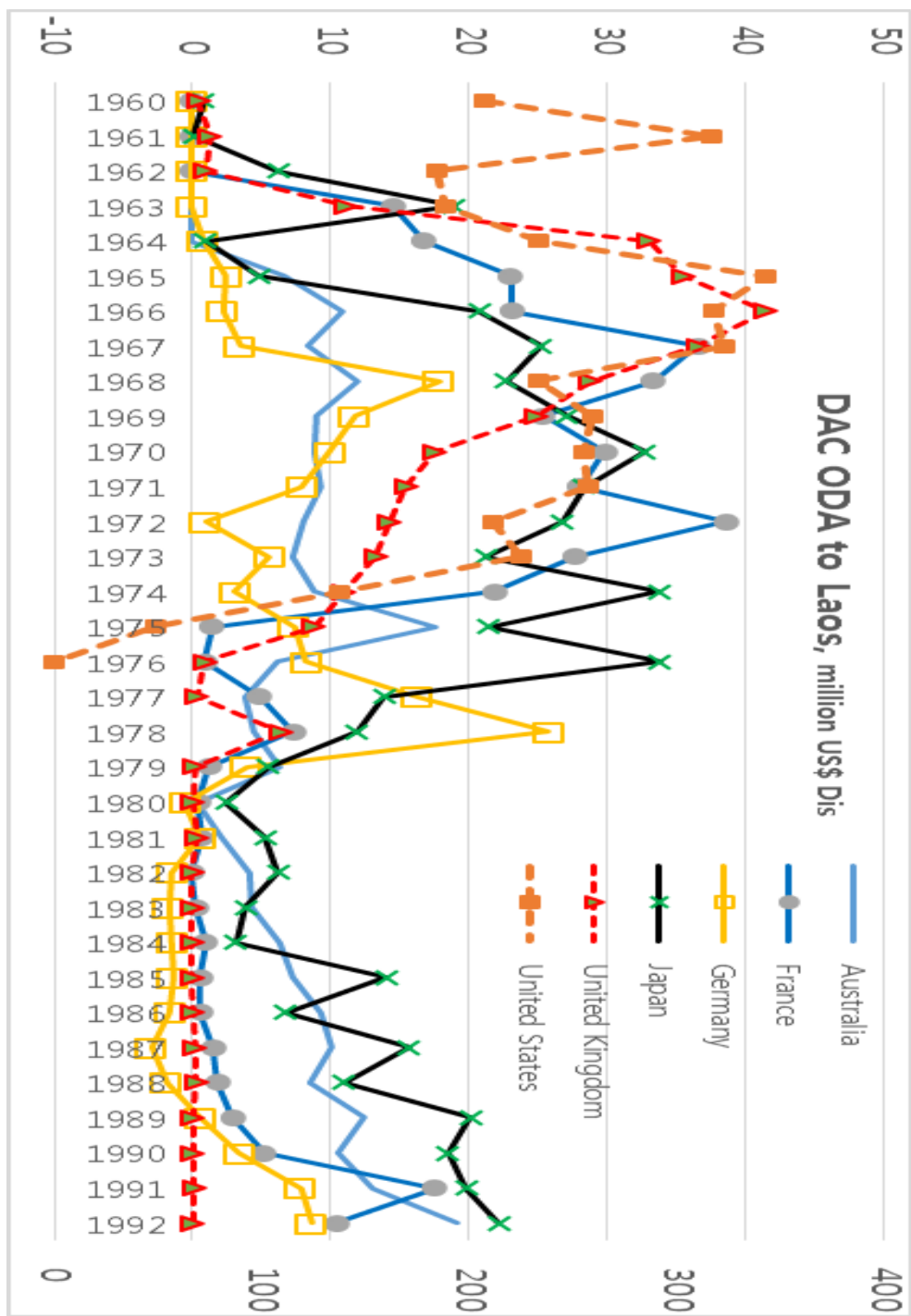
Chapter 5. The Critical Falling of Foreign Aid (1975–1992)

5.1. Decline of Aid Flow

From 1975, Laos witnessed a sharp fall of overall foreign aid from its DAC donors, including important donor Japan. This is the significant drop of foreign assistance to Laos who at that time newly declared its independency under communist regime. The total volume of aid fell down by more than by 73 percent within 4 years, from 306 to 72 million US\$ during 1973 and 1977. The lowest point was in 1984 when its overall bilateral aid received was at around 37 million. The extraordinary decline was in 1980 when there was convergent deduction of foreign aid. The aid from each donor was not more than 5 million. Then some donors had stopped giving assistance to Laos such as US, UK and Germany. During the period of 1950s–1960s, US had been the top donor. Its aid volume was sky-high further than other donors. Its aid then reduced critically during 1971 before the independence of Laos. It was until 1984 when many donors began to raise their aid to Laos again and the flow dramatically rise.

Japan's ODA to Laos was officially recorded since late 1950s, short time after diplomatic foundation. The volume of aid at the beginning was relatively small. Then the figure had risen up over 20 million US\$ since 1966. It was until 1976 where the aid had been reduced dramatically under 20 million US\$. The decline was in line with other DAC assistance. Its lowest was in 1980 as the amount was around US\$ 4 million. The trend then fluctuated positively and could reach its US\$ 20 million in 1992 when the Soviet Union collapsed signaling the end of Cold War.

Figure 5: DAC ODA to Laos



Source: OECD (2017)

United State (right axis)

5.2. Causes of Aid Deduction

As mentioned in the methodology, the main assumptions of the deduction: economic interest and politic-security interest will be proved. The term economic interest will cover factors like the trade and investment, the ODA policy to Laos. The other part is Lao foreign policy and the politic ideology influence to be explored. This paper focuses on the intervention of other allied countries in Laos that could push Japan's aid interest away from Laos. In this part, the domination of most socialist countries, USSR, Vietnam and China are to be analyzed.

5.2.1. Japan's Foreign Aid and Foreign Policy

With the uncertainty of the world situation especially in East Asia where there is diffusion of Cold War, oil stuck, the collapse of Soviet Union and globalization trends, many of East Asian countries found it hard to shape their foreign policy. Japan was one of those whose foreign interaction and policy were influenced by those multi-situations. For Japan, it faced at least three factors in building its foreign policy. One is from the dominant of US military in the region. As Japan is US's allied, the policy is required not to pose any threat to this relationship. Two, Japan has historical debt of its WW2 incident to be paid off. Three is the desire of East Asian countries in their access of globalization, (Inoguchi, 1992). As a result, Japan's business and foreign policy has been shaped by those factors which aiming at solving the constraint of its rising political and military supper-powered country. Japan, so that, regards market center as its strategy in implementing its business and foreign activities. Market is the main force while government is the secondary power in achieving objectives. Japanese foreign policy, so that, is structured by foreign trade, foreign direct investment, official development assistance, technology transfer, financial flow and other

domestic activities between Japan and other countries in East Asia. Japan gains dominance in the region through its simplification of foreign trade which leans on economics and industry competitiveness as drivers.

Hook (1998) learnt that prior 1989, Japan foreign aid served two main national strategies: reparation payment and economic strategy “guided capitalism”. The reparation focused on reestablishing the regional economic structure of Southeast Asia especially the countries whose were severely damaged by Japan during the war. Japan was an aid recipient at the end of WW2 and during late 1950s it began paying the reparation to Southeast Asian victims. The reparation was also aiming at building friendship relation for its potential economic cooperation with those nations. Japan began providing economic and technical cooperation to members of British Commonwealth when it joined Colombo Plan in 1954. As the stronger economic growth, Japan’s aid has been growing both in terms of diversity and volume of aid. In a book published in 1978 by Ministry of Foreign Affairs, Japan, it claimed the two importance of its economic cooperation that:

1. *The only path that allows Japan moving to prosperity and secured is the peaceful and stable world. And foreign assistance to developing countries is one of the most appropriate inputs that Japan can contribute.*
2. *Trading with developing countries is the only way to secure Japan’s natural resources for its economic growth. Therefore, Japan is supposed to maintain good relationship with those countries.*

The Japan’s macro-economic strategy “guided capitalism” was accelerated mainly by its foreign aid flows to developing countries. In this strategy, Japanese government and cooperated elites mapped their

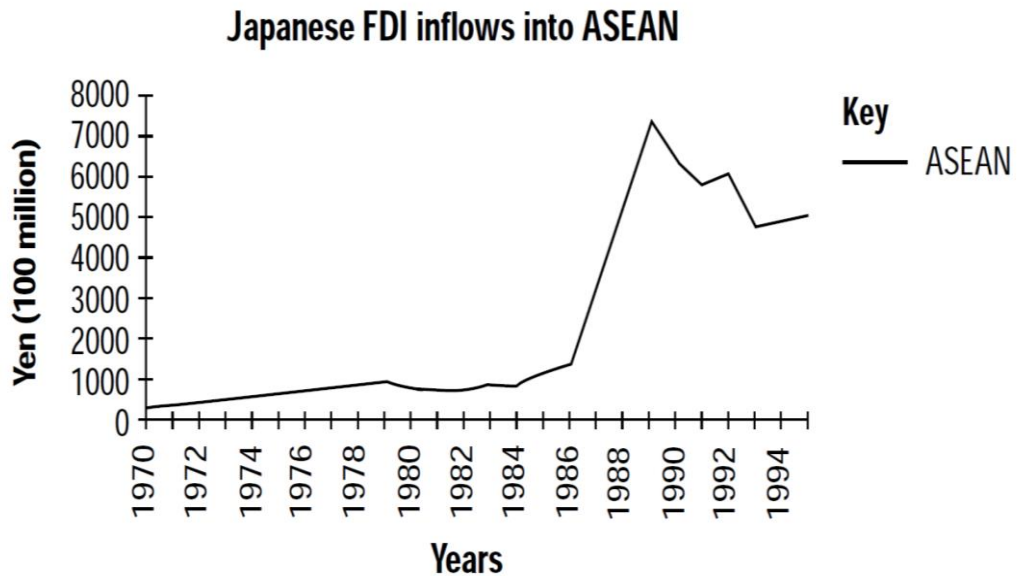
most bargaining economic sectors and promoted them through trade protection, think-tank subsidies, tax credits and the supported the national savings. Aid flow was set to pave the path for Japanese outbound FDI and build its trade networks. The aid was also allocated to the states that possessed raw materials which Japan saw it as important to its economic security. Many of projects were tied directly or partially to Japanese provision of goods and services. This kind of “tied aid^⑩” so that encouraged Japanese local productions, and at the same time, fueled the economy of recipient countries. Japan had showed its true-positive intention in engaging its diplomacy to Asian particularly ASEAN community. Japan Premier Fukuda made a round-table conference among ASEAN members in 1977. In the round-table, he demonstrated the will of Japan toward ASEAN that based on four significant disciplines: (1) Japan promise not to pursue being the super powered military state, (2) establishing mutual trust between Japan and ASEAN, (3) the stronger cooperation of the two parties and (4) Japan support the self-reliance economics of each ASEAN member, (Araki, 2007).

5.2.2. Japanese FDI

Japan’s direct foreign investment (FDI) can be tracked since the early post WW2 during 1950s and it was assumed to be coincident with the emergence of its ODA. The volume of its FDI to the world was relatively small up to 1970s. The net figure ranged from US\$ 200–300 million with limited industrial sectors in 1960. In a period of 1951–1985, the proportion of ASEAN covered 13.4 percent of total Japan’s outward FDI while the largest was North America covering 32.2 percent, (Komiya et, 1991).

^⑩ A form of offering aid with the condition that the recipient choice of buying goods and services is limited to the donors’ preferences.

Figure 6: Japanese FDI in ASEAN



Source: Hiley (1999)

For ASEAN region, Japanese FDI has been increasing dramatically from 1970 and high-sky rose in late 1980s. By 1994, its total FDI in the area reached around 500,000 million Japanese yen which it used to stand at around 40,000 million in 1970, (Hiley, 1999).

After turning from centralized plan economy to market led economy, FDI in Laos was still fairly small. In 1988, the total inflow FDI was US\$ 2.7 million and it was the first year of implementing a law on foreign direct investment of Laos. In 1992, Japan FDI in Laos was US\$ 0.7 million and fluctuated to US\$ 2.0 million in 1998 and ranked behind the top 10th investors. Thailand, Malaysia, Singapore, United States and Taiwan placed the top investor respectively, (Freeman, 2001). According to Kyophilavong (2009), during period of 1989–2008, the total Japanese FDI in Laos was US\$ 28.9 million, equaled only 0.3%, covered 50 projects and ranked the 16th top investor while the biggest was Thailand who spent money of US\$ 2,525.5 million with share of 26.5%

in 333 projects in the same period of time. If we compare Japan's FDI and foreign aid trend to Laos, we can see the divergence. Japan's FDI is in the decline trend while its foreign aid is on the rise.

Figure 7: FDI in Laos

FDI into Laos (US\$ mil)								
	1992	1993	1994	1995	1996	1997	1998	1999*
Thailand	93.1	58.6	2,013.00	35.2	761.5	9.5	65.6	4.7
Malaysia	16.9	5	3.4	5.1	211.2	73.2	3	11.4
Singapore	0.5	7.3	0.5	0.2	10	2.2	4	1
United States	4.8	5.6	4.9	0.1	6.7	0.9	1.2	0.9
Taiwan	23.6	5.8	8.2	6.7	0.5	0.3	1.3	0.1
France	1.8	2	3.2	1.5	1	1	2.3	0.4
China	7.5	12.6	8.9	8.1	3.2	3.5	6.5	5.4
United Kingdom	0.2	0.9	3.5	4	17.9	0.2	0.3	41.7
Australia	9.8	12.1	7.1	1.7		5.6	1.5	
South Korea	5.3	1.1	2.8	277.4	276.8	6.9	6.6	3.8
Japan	0.7	0.2	1	5.2	2.8	4.3	2	0.7
Others	5.9	13	8.1	16	1.1	6.1	31.8	8.5
ASEAN**	110.5	70.9	2,016.90	40.5	982.7	84.9	72.6	17.1
Total	170.1	124.2	2064.6	361.2	1292.7	113.7	126.1	78.6
ASEAN as % of total	65	57.7	97.7	11.1	76	74.6	59.3	21.8
Thailand as % of total	54.7	47.7	97.5	9.6	58.9	8.3	53.6	6

Note:

* = First ten months of 1999

** = Comprising Malaysia, Singapore and Thailand

Source: Freeman (2001)

5.2.3. Lao Foreign Trade and Japan

The Geneva Accord had set Laos free from external invasion 1954. Many foreign troops especially France had moved away from Lao territory. Laos had no external security intervention, but it faced internal security concern. The country could not agree on who should have the legitimacy of governing the country. The general election was proposed but it could not solve the conflict. There were two prominent groups confronting, as mentioned, each other at that time. Pathet Lao, communist ideal, was opposing the traditional ruling Royal Lao Government (RLG). The conflicts ended up obviously in 1971 with the division of Laos territory into two parts, (Whitaker, 1972). The main

city area along Mekong river which covers one third of Lao landscape was under the administration of RLG. The area inhabited by two third of Lao population. The rest of Lao land which almost is mountainous areas in the was under the control of Pathet Lao. The two administrative rulers had made Laos economic two different systems reflecting its divided states. The economy of each could survive or even make some respective progress due to the assistance of external source. The external source was mainly financing source commitment from big donors like US for RLG and Vietnam for Pathet Lao. The big donors are not only the donors of both Lao governing regimes but also their key trade partners.

Both controlled areas faced the same problem of internal transportation. The lack of good transportation was the serious hindrance of economic development. The flow of goods and services was difficult and it could discourage production as well. With the insufficiency of local production that can not feed the local need, the improvement and security of economy of both zones were deeply dependent on external subsistence of commodity.

While little information on trade and transportation was available for area under control of Pathet Lao, the import of RLG was identical mainly from non-communist countries. The foreign trade and customs was controlled by France during the colonization and the trade deficit was balanced by its colonial budget. But during RLG ruling, the import value was annually outweighing its export causing deficit. Fortunately, this deficit was paid off by its receipt of financial aid.

Figure 8: Import of RLG by Country

Imports of the Royal Lao Government Area, by Country of Origin (in millions of kip)			
Country	1966	1967	1968
Thailand	3,388.2	3,318.9	3,349.7
Japan	1,276.8	1,891.8	2,750.2
United State	1,392.5	1,761.8	1,763.2
Indonesia	507.3	1,132.4	444.4
France	475.6	631.2	970.3
Singapore	146.7	540.8	462.8
United Kingdom	806.6	535.5	913.4
West Germany	305.9	337.7	328.7
Other	1,717.5	1,646.2	1,895.6
Total	10,017.1	11,796.3	12,878.6

240 kip = US\$ 1, according to the official rate

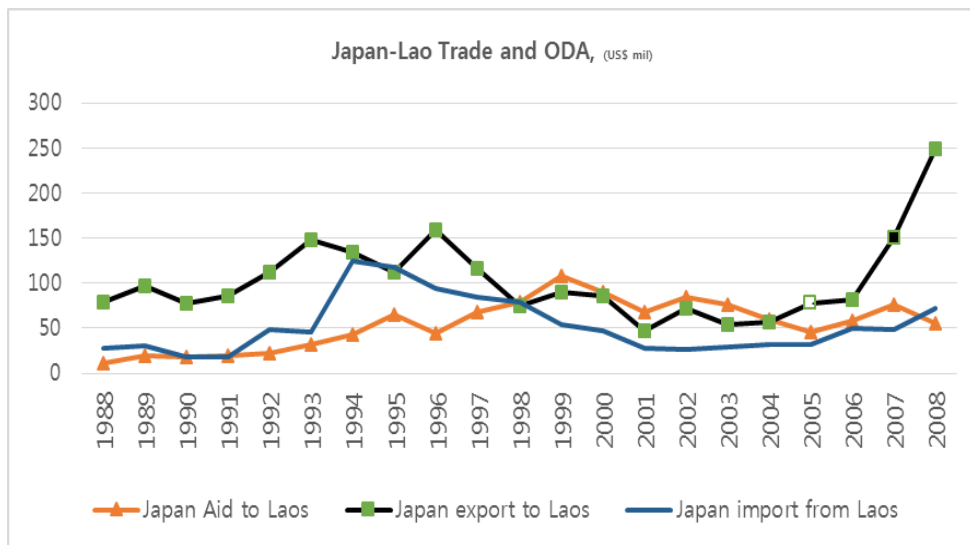
Source: Whitaker et al (1972)

Laos faced a number of fundamental obstacles in its foreign trade. Being a land-locked country has made Laos very difficult in trading with other countries beyond its neighbors. Having no seaport, international commerce must be done through its neighbors. This took more time and caused more money for those additional transports. In early 1970s, most of the import to RLG was through Thailand as other routes were closed due to the risk of unrest and conflicts in Laos. Thailand who was Lao neighboring country was the main importers. Its geographic location had enabled both states to trade easier compare with other countries. During 1966-68, the top importer to RLG was Thailand followed by US and Japan respectively. The trend of the total import to Laos was rising dramatically, from 10,000 million kip in 1966 to almost 13,000 million kip in 1968. In terms of commodity,

agricultural, road transportation, mineral and food products were the major proportion of import. The import of Japanese products was textile clothing and other consumer goods. The main destination of RLG export was Singapore and Malaysia, covering 60% on average, and Thailand, covering 30% on average.

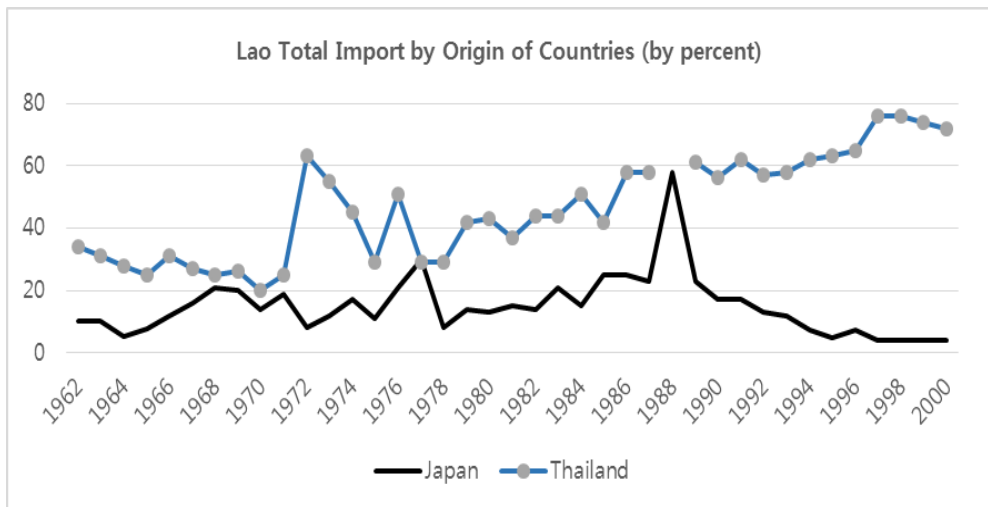
The source from UNCOMTRADE and OECD shows the trend of Japan export and ODA to Laos and import from Laos had some kind of correlation. The three trends parallel movement of increasing from 1988 to 1994. The import from Laos was at its highest in that year, around US\$ 130 million before it had been on steady decline until 2005. The import value was around US\$ 30 million, similar amount in the year 1988. The export to Laos was on the declined parallel with import from Laos again from 1997 till 2004.

Figure 9: Japan-Lao Trade and ODA



Source: UNCOMTRADE and OECD (2017)

Figure 10: Lao Import by Country



Source: OEC (2017)

The OEC¹² graph indicates that Thailand has been the top importer to Laos of all time from 1962 to post 2000. Its proportion ranged from at least 20% to almost 80%. At the same time, Japan imported to Laos for an average of 10%–20% from 1962 to 1992 and then its trend declined modestly. There was no outstanding fluctuation of Japanese import during the period its aid deduction. This can imply the low relation between Japanese foreign aid and export to Laos during late 1970s and early 1980s.

5.2.4. Beginning of Lao PDR and the Move to Socialism

In 1975, the military battle of Western and Communist bloc in Indochina had ended with communists gaining victories in Vietnam, Cambodia and Laos. The monarchic government was abolished and Lao People Democratic Republic (Lao PDR) was established under the leader and

¹² OEC is the internet platform that serves as a tool to report on the exchange of products between countries. It was Alexander Simore's Master Thesis in Media Arts and Science at the MIT (Massachusetts Institute of Technology) Media Lab, Cambridge US. The project has been conducted in MIT Media Lab since 2010.

control of a single party system, namely Lao People's Revolution Party (LPRP). Even though the war was over, the rivalry strategy on gaining influence had kept on going and shifted from military to economic confrontation.

Laos claimed new independence, its politics and economy still relies heavily on its powerful neighbors and donors. LPRP has historic relationship in struggling for independence with its comrade communist Vietnam and this tie continues to play significant influence in Lao governing. Lao politics still depends on Vietnam. In addition, Lao economy remains heavily independent on foreign assistance. In the early phase of restoring Lao economy, Laos faced high trade deficit as it used to before. Laos did not only need financial assistance, but also technical support. From 1975-79, as around 200,000 persons had fled the country for fear of communist persecution and most of them were well educated. This led Laos to experience brain drain incidence. Never the less, the previous wars had caused around one million Laotian or one third of Lao population to be displaced. This phenomenon had led to food crisis. In Vientiane alone, one third of its population was in starvation and so that dependent on foreign food aid which was mostly supported by US. The heavily bombed land had paralyzed the agricultural production which ending up to insufficient local food supply. And the new law promulgated by the Marxist regime had not encouraged local peasants to go back to their farmland and continue their farming routine as they used to do before.

The overall economic condition got worst when the premier of Laos, Kaysone Phomvihane, reviewed Lao economic plan after one year in 1977 and he gave a speech to public on priority of the country in the future. He emphasized that the country firstly to build socialist and central planned economy under the control of the state. Secondly and

urgently, Laos will make its economic condition that supports the government regime legitimacy. In the following year, the country, so that, applied collectivization scheme. The number of co-operative had obviously risen then. The co-operative agriculture campaign was one of the precondition in moving toward centralize “command” model of planning a long with Soviet line. Laos favors the ideology of Marxism and Leninism, this eco-politic ideology was applied in Lao government regime. Laos follows the path of socialism like its allies: USSR, China and Vietnam. Central planned economy was applied. Under the assistance of USSR and its allies, Laos implemented the collectivization policy on agriculture sector. Government controlled the local prices as well as the exchange rate which was determined regardless of the market system. By the implementation of socialist movement, most of foreign assistance from Western was interrupted. This had dramatically pushed Laos away from its Western friends mainly US, France and United Kingdom. After few years of central planned economy application, Laos experienced the stagnation of economic growth.

5.2.5. Lao Foreign Policy

Laos is a mall country located in the Southeast Asia, surrounding by big countries like China to its north, Thailand to its west, and Vietnam to its east. Others two neighbors are Cambodia and Myanmar. Due to its location, lied in the between bigger countries, it finds itself hard to shape its foreign policy since those countries have their competitive interests in Laos. Its past history recorded numbers of invasion from the neighbors, Thailand, Vietnam and China. Moreover, other major super-power empires like France and America made the last invasions record in modern history of Laos. The recent battle with American invasion was directly an effect of the Cold War, imperialism versus Communist blocs leading by the Soviet Union and United States of America.

Laos made itself heard in 1945 as independent state from a long colonial rule of France, from 1893–1945. The country then found itself internal conflicts between the communist ideology and anti-communist ideology. Furthermore, there was minority insurgency who was seeking for their own independence namely “Hmong” tribe. Since Hmong insurgency was supported by foreign source, this played some role in the structure of foreign policy of Laos. The shape of foreign policy at the time was fruitful views and strategies of its competitive leadership, communist and non-communist leader groups who were on a race of pursuing their own views as the basis of national policy on foreign affairs.

The country announced its independence again in 1975 under the regime of communist rule. Lao view of the world shares a lot of common with the view of Vietnam as a result of the dependency of Laos upon Vietnam within an Indochinese “unity bloc”. The view has been shaping its policy toward Laos’ relations with its neighboring countries. First, Lao claims to be neutralism apart from its close tied to socialist Vietnam. This claim was seen unrealistic since Laos is considered too weak to preserve its neutrality without the influence of Vietnam and Soviet. Geographic location has put Laos in a difficult position as of how to be in the middle of the confront interests between its neighbors; Vietnam from its east, China from its north and Thailand along the Mekong valley, from its west.

The alternative is to have sufficient tie aligned with one neighboring state to prevent a de facto threat of the country division. The benefit of that prominent alignment would be the unity of the country administration, the possibility in forming up national unity and purpose among Lao diverse ethnic groups. However, the constraint derived from the alignment is that being under other umbrella means to be

absolutely or mainly under control of its protector. This fruitful situation leads to the status of losing nationality of Laos. So the determine of Lao fate depended on the country's leaders. How are they effectively exploiting the benefits of Laos' present reliance upon Vietnam and at the same time preventing the occurrence of the danger is the answer that shape the future of Laos.

The global strategic environment also poses some kind of limitation to Lao foreign affair options. This global impact is worth to be explored, the major players driven the cold war, Soviet and America relationship to Laos. The relationship between America and Soviet Union has few direct impacts on Laos. Washington and Vientiane relationship is even though modest, it can be further developed into the path of negotiation between Washington and Hanoi where Laos can play the role as political bridge. Another actor that Laos must pay more attention is China. The relationship of Sino-US poses some level of threat that LPDR must take into account since both powerful countries historically were believed to support the insurgency group, Hmong, in Laos. So far, there is still no obvious evident showing the commitment of the two. However, Marxism-Leninism has shaped the ideology that never ceases the awareness of imperialism, US, who used to be (and always be) aggressive against communist.

The Lao foreign policy faces other major challenge when it seeks to find its balanced position in the Sino-Soviet dispute. The race of the two major powers has pushed Laos into difficult situation in showing its neutrality. There are so limited options for Lao foreign policies to be applied. The emergence of Soviet in Indochina has rose suspicions to China. China concerns about the strategic purpose of Soviet on the region as this could poses threat to China's strategy and its southern frontier. The Chinese concern has led to the tension in relationship

with Vietnam. Since the Vietnamese Communist Party ideology got influence from Soviet as well as the military support, this special relationship, Soviet-Vietnam, has determined China's attitude toward Soviet. Then in early 1979, the Chinese-Vietnamese War¹³ had proved that Lao ambition on its stand between the two sides had failed. Furthermore, Lao could not solve the problem of Kampuchea and Vietnam which Lao had no other choice but to side Vietnam. This implication had made the relationship of Sino-Laos worst. As Laos is independent on Soviet bloc aid and with the increasing influence of Soviet on Laos, this increases the likelihood of Chinese retaliation.

Soviet-Lao relation has been in positive direction especially for Laos as Soviet has been supporting economic and military aid as well as technical assistance to Lao PDR. USSR planners took major part in the first five-year plan, for example. There have been some signs that Moscow was trying to make bilateral relationship with Vientiane which is not dependent on Soviet-Hanoi relationship. Furthermore, this relation does not hinder the Soviet-Vietnam tie.

5.3. Communist Bloc Influence

5.3.1. USSR Influence

Motivation of Influence

Earlier 1950s, Soviet did not have any interest in Laos. It began to pay attention to the fate of Laos in 1950s when Viet Minh¹⁴ sought to eliminate French colonization out of all Indochina. The interest of Soviet in Vietnam gradually shifted to Laos since the widening in civil

¹³ The Vietnamese invasion of Cambodia in 1978 caused anger to China. In response to the invasion, People Republic of China attacked Socialist Republic of Vietnam in early 1979. The fight took place along their border and lasted almost one month. This battle was also known as the Third Indochinese War.

¹⁴ Viet Minh was a communist organization established in early 1940s by a Vietnamese; Ho Chi Minh. The task of Viet Minh was to liberate Vietnam from foreign colonization and invasion mainly France and Japan.

war in Laos and the emergence of organizational the “Pathet Lao”, a communist force. This activist resistance attracted more involvement of North Vietnamese Army (NVA) and, therefore, the intervention of US Army. Soviet began practicing its strategy in Laos by indirect supporting the Communist movement in Vietnam followed by its direct military intervention into inner struggle of Laos. Russia and Laos formed their diplomatic relations in late 1960, formerly USSR and the Kingdom of Laos. At that time, Soviet Union (Russia) leaders did not consider Southeast Asia as import to Soviet. However, the area could serve other strategic interests for Soviet. According to Langer (1972), there are four areas to be considered:

- 1. It could be a guard in maintaining the influence of China in the region.*
- 2. It can reduce dependency of those governments on US.*
- 3. It could promote the trust in Soviet Union and the environment that the region independency is affordable under the help of Soviet’s umbrella without the support of US or China.*
- 4. It could discourage the regional revolution resorted to Mao’s strategy.*

At first, Soviet did not consider Laos as significant of Soviet’s security, so it did not invest much to achieve those strategies. But this perception was changed since its confrontation with China got worse. Now Soviet turned to pay more attention to the issue of Laos and began to invest more. At this point, the main focus of Soviet in Laos was prioritized to protect Laos from the reoccupation of Chinese communist. This desire had contributed to the shaping of Soviet behavior in Laos. Since the Asian revolutionary movement was prone to be reliant on Mao’s strategy that would hinder the ideological leadership of Moscow, so the Soviet’s foreign aid to the region would be in a hope to reduce

this threat. It also reduces the chance of confrontation of Soviet's military and US's military in the area where US military has more advantage from its influential power Southeast Asia. The aid from both China and USSR, then, was on a race to Laos in a hope of gaining favored ideology influence. But in the field, their real opponent was US who was expanding power in Indochina and also in Laos.

Soviet Assistance

In 1960, USSR began its indirect involvement in Laos through joining the military struggle of both anti-communist group (RLG) and neutral-communist force (Pathet Lao) by implication of providing foreign aid. This implication was aiming at barring Laos from US expansion especially the RLG who was prone to be occupied by US. The Soviet support were mainly a large scale of military aid like weapons, ammunition, gasoline, and other stuff necessary for its anti-US campaign. The USSR aid to Laos was in line with other aid campaign supporting other communist activities in Indochina. The motivation of supporting Laos was, then, gaining more recognition from higher USSR officers and Soviet authors as it has always been quoted, Soviet Deputy Foreign Minister G. M. Pushkin's remark to Ambassador Averell Harriman^⑮ that "apart from the second World War, this was the highest priority Soviet supply operation since the Revolution". As time passed, the presence of Soviet-US race over Laos got tougher and so that Soviet accelerated its aid to Laos more.

^⑮ Averell Harriman used to worked as an American ambassador in Soviet Union in 1943, and in 1963 he was appointed to be special ambassador in negotiation for peach in Vietnamese wars

Figure 11: The Foreign Aid to Laos in Early Independence

Annual Aid Flows (commitments) (In US\$ millions)									
Year	1977	1978	1979	1980	1981	1982	1983	1984	1985
Convertible									
Aid	38.3	73.7	65.5	82.5	50.6	19.4	53.9	40.8	25.4
(in %)	46.2	61.1	41.1	63.2	47.0	16.5	36.2	32.2	18.2
Multilateral									
Aid	13.9	33.1	46.8	37.2	29.9	8.0	35.6	22.3	14.8
(in %)	16.7	27.4	29.3	28.5	27.8	6.8	23.9	17.6	10.6
CMEA Aid									
Aid	44.6	47.0	94.0	48.0	57.0	97.8	95.0	86.0	114.3
(in %)	53.7	38.9	58.9	36.7	53.0	83.4	63.8	67.8	81.8
Western									
Bilateral									
Aid	24.4	40.6	18.7	45.3	20.7	11.4	18.3	18.5	10.6
(in %)	29.4	33.6	11.7	34.7	19.2	9.7	12.2	14.6	7.6
Total Aid	82.8	120.7	159.5	130.5	107.6	117.2	148.9	126.8	139.7

Note: These figures are commitments and not actual disbursements of aid.

Source: Arndt (1992)

By early 1961, Soviet offered economic and technical support to the leader of RLG in a coalition with Pathet Lao. The aid covered wide range of field such as agriculture, natural resources, development of transportation, health care service, education and cultural exchange. The supply also included the presence of 500 Soviet personnel stationing in the northern parts of Laos. In 1962, Soviet aid to Laos got more advantages as the implementation of Geneva Accord forced US to withdraw its military from Laos with the replacement by the Soviet troops. Soviet could deliver more aid to RLG.

Unfortunately, one year later, there was a bigger conflict between Pathet Lao and RLG. Their confrontation got worst and they turned their back to each other. At that time, North Vietnam Troop reentered and civil unrest in Laos burst out. This was the critical turn that pushed the RLG to turn to the US's umbrella. Consequently, Soviet continued

its aid to Pathet Lao while aid to RLG was quitted in 1963. Due to the distance from USSR to Laos, aid from USSR was delivered through the north of Vietnam by ship and then passed to the northern part of Laos. This made the aid programs to Laos and Vietnam was related as Vietnam also received aid from Soviet. The direct contribution of USSR military aid to communist Laos obviously infringed the Geneva Accords.

1978 marked the start of socialist approach of strategic aid to Laos. The meeting of delegation from Council for Mutual Economic Association (CMEA^⑩) led to the agreement on technical assistance from USSR and other socialist countries to Laos. By mid of 1978, it was estimated that there were around 2,000 Soviet and East European advisors in Laos. The Soviet economic and technical assistance programs to Laos prior to 1974 rated as small in scale and value and spasmodic affair. In early 1974, the Provisional Government of National Unity was established with the proclaimed of the Lao People Democratic Republic in late 1975 has led to the increase in Soviet aid to Laos. For instance, an agreement on concluded on November 20, 1978, arranged for the USSR to procure free aid to the population of Laos affected by flooding through shipment of medicines, foodstuff and consumer goods. In terms of technical assistance, more than 250 Laotian youths was been granted and studying in the higher and intermediate educational institution of the USSR in 1976. Around 100 of students, after graduating, they came back to work in agricultural and industrial sectors in Laos. By 1978, the number raised up to 500, then

^⑩ Council for Mutual Economic Assistance (CMEA or Comecon) was established in 1949 by the agreement among Soviet Union, Bulgaria, Czechoslovakia, Poland, and Romania. The purpose of this organization was based on political and economical reasons. It was aimed in respond to the Marshal Plan led by major capitalist America. CMEA can protect some Eastern European countries who were prone to be dominated by US. MEA aims at enhancing enable its members in exchange economic experiences, extend its technical assistance and the exchange of their materials, foodstuff, machines etc.

reached 1,700 in 1980 and 1,800 in 1981. Meantime, thousands of Laotian was undergoing training on the job in Laos under the supervision of around 1,500 Russian technical experts stationed in Lao.

5.3.2. Vietnam's Influence

Lao and Vietnamese relationship can be tracked back to 1930s as the Lao revolutionary struggle correlated revolutionary events in Vietnam. During its independent struggling over 30 years till 1975, Vietnam has provided aid and advised to Laos that help the current government regime seizing power. During that period, Hanoi had exercised a controlling influence over the Lao communist movement. Reaching political and military consensus, Vietnam Labor Party and Lao Revolutionary Party advocated independence and socialism to lead their revolutionary to success. Lao-Vietnamese Treaty of Friendship and Cooperation, therefore, was formed in 1977 to mark their political tie. This had paved the path for Vietnam in influencing in all levels of politics as well as economic affairs in Laos. In the interview with Japanese journalist in 1979, Lao premier Kaysone emphasized that:

“In face of the threat of aggression by big nation expansionist hegemonism and imperialism, on basis of the said treaty and at the request of the Lao Government, the two governments have agreed to the present of Vietnamese army force in Laos in order to join the Lao army force in opposing the threat and sabotage against Laos. This is the legitimate measure jointly taken by the two sovereign arms at defending the sovereignty, independence, territory integrity and economic and culture construction in each country. This is also a normal practice in international relations” (Dommen, 1979).

The treaty of special relationship has marked one step of the long-range plan of Hanoi in hegemony strategy in Indochina by using Laos as

its puppet. During the second Indochina War, North Vietnam obtained the cooperation of Lao People Revolution Party in reconstructing and maintaining Hoh Chi Min Trail and then they both built communication network road that passes through the length of Laos, which then has become the national road. During the construction of the road, a lot of Vietnamese workers were working in Laos as main labor. Thousands of Vietnamese troops were stationing along the road to maintain the road network and provide security. From 1962, Vietnamese troops got authority of exercise freely in the eastern of Laos. Since the victory of communist in 1975, the Vietnam troops had more authority to operate in Laos especially in the northern area of the country. The Vietnamese military stationing in Laos served as the store place and the support of Hanoi in invasion of Cambodia. Nevertheless, it served as good guard against Chinese influence in Laos. The Vietnamese government's hegemony strategy was first to isolate Chinese government by seizing Laos and make Laos as its puppet to move Laos away from China's domination. This goal was in line with Moscow's strategy in eliminating China's hegemony away from Southeast Asia. The presence of Vietnam troops at that time was obviously not on the purpose of defending Lao economic security, culture degradation and sovereignty, but to serve the greater of Vietnam in the lens of Ho Chi Min's successor and this vision was mainly supported by Soviet bloc.

The influence of Vietnam is not limited only in its troops present in Laos, but also in all level of politics. Many leaders were dominated by the political ideal of Marxism advocated by Communist Party of Vietnam (CPV). The treaty has allowed many technical staffs from Vietnam to station in many offices of Lao government to provide technical assistance such as providing suggestions on economic and technological development. All level of Lao authority was under the direction of Vietnam such as economic development, foreign policy and

military exercise. The Lao political position on Vietnamese invasion of Cambodia was the critical event that reflected how much Vietnam can have an influence on Lao government. The communist tie between LPRP and CPV had made other countries' perception on Laos negative. Lao PDR is considered as a satellite of Vietnam.

5.3.3. Chinese Influence

People Republic of China formalized diplomatic relationship with The Kingdom of Laos in 1961. The Geneva, international settlement, in the following year has made Laos the neutral country. Both governments have reached many agreements in projects of building many roads linking southern parts of China to the northern parts of Laos. The Chinese labor working on the road construction sites was estimated to reach fifteen thousand. The relation got worst in 1977 when Vietnam had invaded Cambodia, and Laos was identified as siding Vietnam. China and Vietnamese relation at that time was obviously worst. Many of Chinese labors so that left Laos for their home. This reaction had obviously indicated that the agreement in building roads in Laos by China was based on its strategic interest of making Laos as Chinese access to mainland Southeast Asia. Other cause of tension was from the allegation of China in supporting anti-Laos minority group, namely Hmong living in Lao territory. The allegation took place when Vang Pao, the leader of Hmong, paid a secret visit to Beijing in 1977. At that time China was alert in employing Chinese Hmong clan in its southern parts to collaborate and commit activities in Sino-Vietnam and Sino-Lao borders. In 1979 Lao government learnt that the Chinese was on its progress in strategy of shaping Hmong's ideology into opposing Vietnamese "hegemony" in Indochina, and on the other hand opposing Soviet "Socialist Imperialism". Finally, the hypothesis that China preferred to create the "Hmong Kingdom" in Laos would become true. This ambition would be in line with the dream of Vang Pao and his

clansmen who believed of the return of their messiah. As a consequence, the Lao government was aware of this threat and be more skeptical about Sino-Lao relationship during that period of time.

The normalization of China-Laos took place again in 1989 when the leaders of Laos paid a visit to the Beijing, China. This was the first visit after a few months of the Tiananmen^⑰ incident. The relation, then, has been strengthened. China had assisted Laos during the Asian financial crisis. There was a signing on long-term cooperation. In 1991, the two had set a joint border commission and the formal treaty on border was signed in the following year. In 2006, Vietnam, China and Laos could approve the tri-border junction scheme.

^⑰ A mass protest leading by students in Beijing's Tiananmen Square since April 1989 recalling Chinese reform due to the economic stagnation and the lack of politic transparency. On the night of 3-4 June, People Revolution Army stormed the protest. More than 200 protesters were reported killed and around 3000 were injured.

Chapter 6. The Aid Flow Normalization (1993–2015)

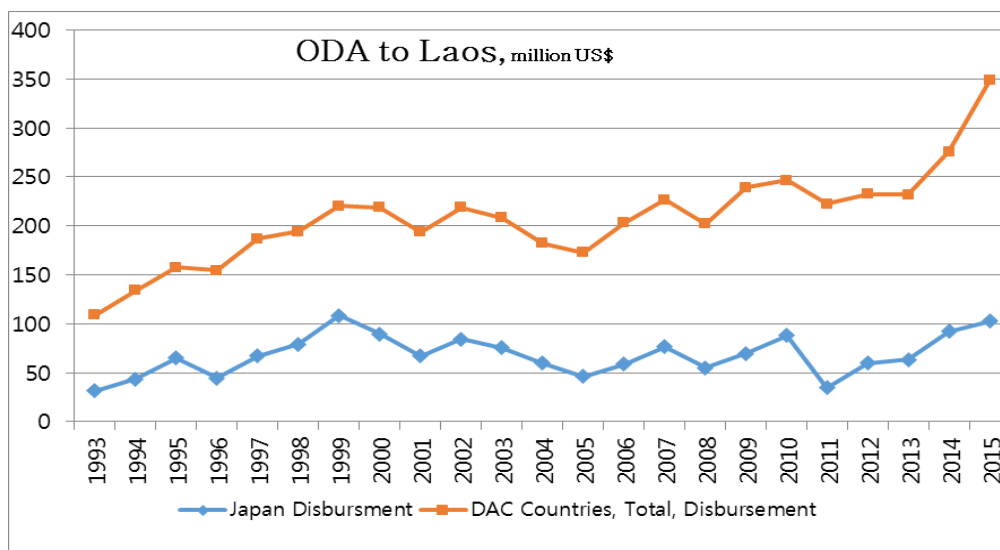
6.1. Aid Flow Recovery

In 1980, Laos witnessed its lowest amount of foreign aid received. Since 1960s the total amount of foreign aid from DAC to the country was more than 200 million US dollars. The trend obviously was on the decline since the new foundation Laos under the socialist regime. The aid from Japan was on the down moved at the same period as other donors. The lowest trend stopped in 1980 where Japanese aid was disbursement was only 2.5 million US\$. The DAC aid then on the recover and rise dramatically to the normal stable volume since 2000. By 2015, the net figure of aid from DAC was around US\$ 348 million. This number is however smaller than the number in the late 1960s where the peak was almost US\$ 350 million in 1967.

From the dramatically recover and increase of Japan's aid, two important moves were noticeable. The first big increase of Japan aid was during the start of NEM in Laos. The aid received in 1985 increased by 4 time of 1984, from 3.2 million to 24 million US\$ disbursement, while the total aid number increase fairly little, according to OECD database. The similar result appeared in the research by Suzuki in 1994 that the amount of Japanese aid commitment rose sharply during the beginning of Lao NEM. It increased by at least 3 time compare to the prior years. This has reflected some coloration or link between the recipient economy and the strategic interest of the donor. The second big positive jump of the aid was since the end of cold war. Starting from around US\$ 30 million in 1993, it instantly rose and reached US\$ 65 million in 1995. It drove down shortly in the coming year and then reversed again to its highest

of US\$ 108 million in 1999 which was three time of aid in 1993.

Figure 12: ODA to Laos after the Cold War



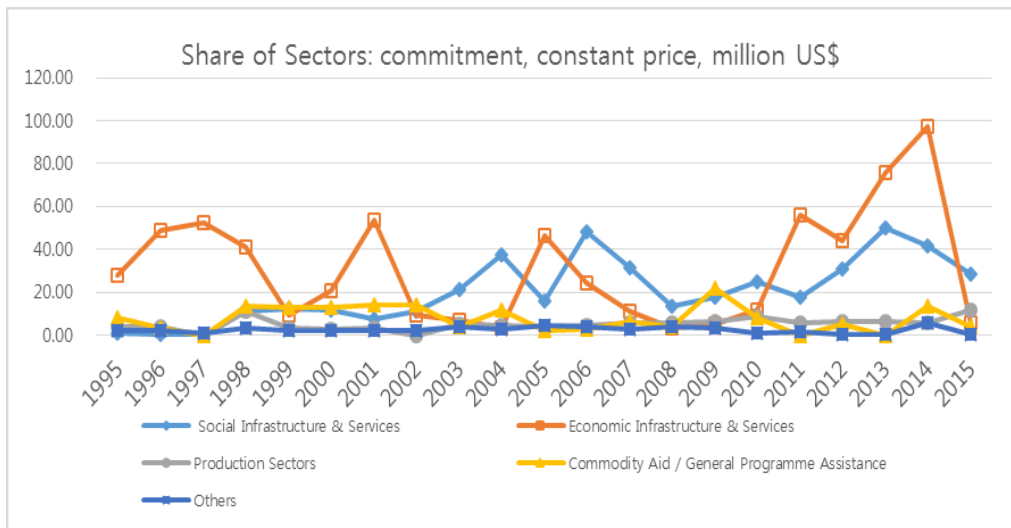
Source: OECD (2017)

Since 2000, we have witnessed the fluctuated of the aid. 2011 was seen the lowest year of the aid trend with the number of around 34 million US\$. The aid has recovered again then to almost 100 US\$ in 2015. When we compare the total share of aid volume delivered to Laos, Japan ranked the biggest donor among DAC as its share of total aid covered at least one third of the all ODA to Laos.

6.2. Sector Distribution

The aid from Japan has been distributed to varied sectors. The main sector provided was economic infrastructure and services where its total volume of 20 years reached 652,642 million US\$ that makes a share of 44%. The second one is social infrastructure and services with the figure of 433,697 million US\$ covering 30%.

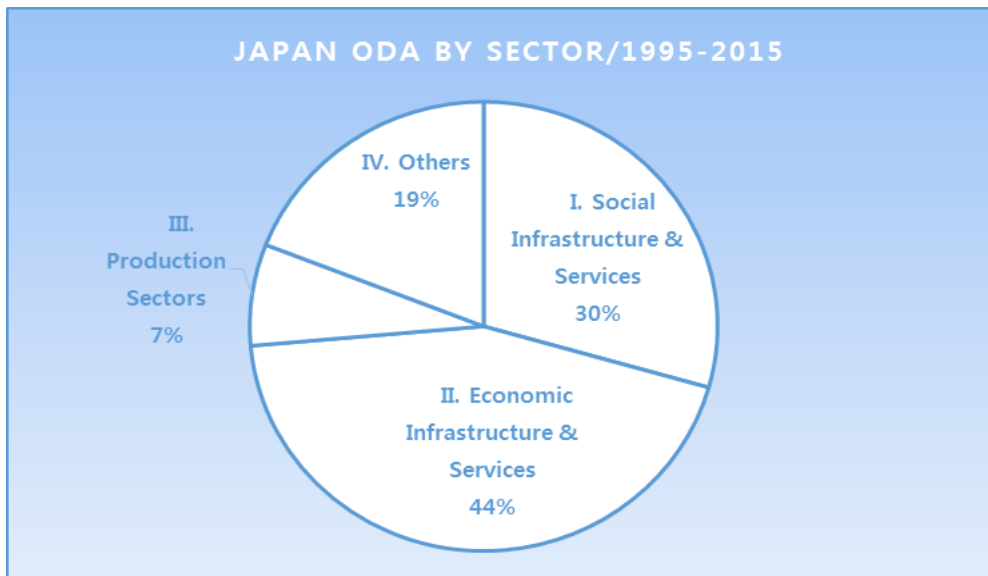
Figure 13: Share of Japanese ODA Sector Commitment (1)



Source: OECD (2017)

In economic infrastructure & services sector, the main projects were on road transport. The construction of bridges on the National Road No13 was one of those. It costed around 40,523 mil US\$ in 1998. Earlier in 1997, approximately 38,542 mil US\$ ODA grant was given to build a bridge in one big city, southern part of Laos. Other big projects were the construction of 2nd Mekong bridge loan from JBIC costing 27,756 million US\$. National Road No 9 had been improved through Japan's grant in 2001 and 2011, with amount of US\$ 27,714 million and US\$27,260 million respectively. Other important assistance for Laos was the grant in expansion of Vientiane International Airport in 2011, of which valued US\$ 16,329 million. And the recent major loan was Num Ngum1 Hydropower Station Expansion Project, valued US\$ 39,644 million started in 2013.

Figure 14: Share of Japanese ODA Sector Commitment (2)



Source: OECD (2017)

For social infrastructure and services, the largest field was education, followed by government & civil society, water supply & sanitation, health and population policy/programs & reproductive health respectively. Some of the biggest projects were projects development of ground water in the south of Laos in 1998 and 2001 costing around US\$ 10 million of grant aid. These projects are bigger in size compare with education field which varied in many more projects with small scale of grant.

Chapter 7. Conclusion and Discussion

Japan has been providing foreign aid to Laos since late 1950s. The aid is channeled through grant, loan and technical assistance. The volume of Japan's bilateral aid has become the biggest to Laos since 2000. Japanese aid has played important role in Lao development consensus. Its project aid has contributed to the economic growth of Laos. For example, the aid plays important role in boosting Lao social infrastructure and economic infrastructure. Many big projects were supported by Japan's aid, such as the hydropower dams, the expansion of Lao airport, national roads and so on. It turns out to the increase in the Lao GDP per capita from US\$ 300 in 2000 to US\$ 1500 in 2015. The economic growth rate has been not less 7% per year since 2010.

Laos has become much dependent on foreign aid since its early independence in 1945. The French colonization left Laos poor economic condition; furthermore, the internal conflict has pushed Laos more into poverty and least developed state. A lot of foreign aid has been given to Laos then. At that time, Laos was internationally recognized as a country under the governing of Royal Lao Government (RLG) while Pathet Lao was regarded as government opponent group. So, most aid was given to RLG. US had been the major donor for Royal Lao Government meanwhile Pathet Lao received foreign aid from mainly Soviet Union. Vietnam and sometime China were reported as modest donors. Before 1975, the given aid was mainly aiming at supporting military expense and economy development. After Pathet Lao gain victory in occupying Laos in 1975, Laos has turned to communist ruling regime and ending royal governing. From that critical point, the Marx-Lenin economic pattern has been applied in Laos. New Laos turned its back to Western and imperial partners and favor more on communist bloc countries like Soviet Union and Vietnam. The aid

flow in this turning period had fallen down sharply to its lowest in 1980. It was until the end of Cold War that the aid could resume to its normal level.

This paper contents that Japanese foreign aid's motivation during late cold war period had shifted from single economic interest to balance with regional security aspect. According to this paper analysis, both factors like economy and political security have contributed to the trend of Japanese aid flow to Laos. However, the more convincing reason or factor for the Japan's foreign aid reduction during late 1970s was the politic-security concern issue and this factor also affected to all donors at that time resulting in their aid deduction coincidentally. There are two political securities here to be mentioned. One is internal and another is external security.

Internal security is the peace within Laos. Apart from the challenge of the settlement of the new government regime: the political and economic gear to socialism, Laos also encounters civil conflict. The Hmong guerrilla still activated to protest and claim for its own independence. Lao government was trying to eliminate the anti-government activity and turn the perspective of the clans to possibility of unification. These people are also evidently to be supported by China. The traditional donors fear that the communist government will utilize the given aid into its military confrontation with the Hmong or other minority groups in Laos. This may lead to unexpected massacre incident. The aggressive of communist leader not only poses threat to its own citizens, but also to its neighboring country. The external security is related to the security of Lao neighboring countries especially Cambodia and the Sino-Lao relationship. The Lao movement in siding communist Vietnam in invading Cambodia has reduced the credit of communist Laos among its donors. Many countries in the

region did not agree with Vietnam in attacking Cambodia, except Laos. The atmosphere in Indochina peace at that time was so weak. Moreover, the tension between communist China and Vietnam also worsened the situation in Indochina scene. The more aid to Lao government may mean stronger communist troops and so that Indochina is more prone to another battlefield. Japan was one of those who fear the foreign aid would be used in contrast with donor goals, economic and security development of Laos, but threat to regional instability.

Fortunately, after 1980, Japan began, as well as other donors, have resumed they aid to Laos. One of the reasons for that could be the improvement in Lao international policy and domestic policy. The economic-historic turning point in 1986 has made Lao economy impressively progressive. Laos has opened wider door for Japan and other western countries to increase economic tie with Laos. Other good environment for the normalizing of foreign aid is the end of Cold War. Since the Cold War is over, Laos experienced the increase of foreign aid. The bilateral aid flow from Japan has been on the stable trend and rank top donor since 2000. While the aid covers various sectors, economic and social infrastructure has been the main focus sector of aid.

With regard to the analysis of this article, the information and data used in this paper is not sufficient while some maybe considered not valuable enough due to the constraint of historic-data available. For example: the data of Japan-Lao trade prior 1980 was very rare. We could not see exactly the density of the two countries' trade. The detail in statistics of trade and FDI was insufficient. One barrier for the data validity is the internal conflict of the two major politic groups in Laos. The country's informal divided administration causes the data

collection not eligible of representing full detail of Laos. The main data available was from RLG zone while very few data from Pathet Lao was available. Furthermore, the Lao import by country data contained in this paper was only from only 3 years, 1966–68. The more importance should be the trade flow during the critical juncture of aid deduction period. In addition, the data on Japan FDI in Laos is also rare. Even the data shown in this paper that Japan FDI in Laos during 1990s was so modest, it would be more valuable if the data during 1970s and 1980s, the period of aid flow deduction, was available. In this situation, it would be questionable for this paper to claim that the FDI and international trade between Japan and Laos play lesser role than other factors in influencing the aid flow from Japan to Laos during late 1970s when many scholars have academically illustrated that Japanese aid disbursement is based on its economic interest during its first aid programs during 1960s–1980s.

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Abstract (Korean)

요약 (국문초록)

라오스는 인도차이나 반도에 위치한 빈곤국으로 1945년 독립 이후에 지속적으로 대외원조에 의존해왔다. 일본이 1950년대 후반부터 라오스에 원조를 제공해왔고 2000년부터 가장 큰 원조국이 되었다.

본 논문은 라오스에 대한 일본의 원조 역사를 분석한다. 1970년대 후반부터 1980년대 초반에 일본을 포함한 많은 원조국들이 라오스에 제공하는 원조가 감소하였는데, 본 연구의 목적은 그 원인을 파악하는 것이다. 일본의 대외원조정책, 일본과 라오스의 경제적·정치적 관계 그리고 공산주의의 영향 등 다양한 변수를 살펴보았다. 이 연구에서 원조를 제공하는데 있어 일본의 경제적 동기가 강조된다. 연구 결과, 원조가 감소한 가장 주요 원인은 정치적 안보였던 것으로 나타났는데, 이는 일본이 라오스와 주변국의 안보에 대한 우려가 높아졌었기 때문이다. 라오스 내에서의 사회주의 운동과 1970년대에 공산주의 국가인 베트남과 소련연방에 많은 영향을 받아 라오스의 경제, 민주주의, 인권과 주변국과의 외교관계가 불안정해졌다. 또한, 라오스와 일본의 경제적 유대가 강하지 않았기 때문에 일본이 원조를 감소시키는 원인으로 보기 어려운 것으로 나타났다.

주요어: 일본, 라오스, 대외원조, 대외원조의 동기, 대외원조 감소, 정치안보

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